

**REPORT OF THE AUDIT OF THE
CLAY COUNTY
SHERIFF**

**For The Year Ended
December 31, 2009**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**209 ST. CLAIR STREET
FRANKFORT, KY 40601-1817
TELEPHONE (502) 564-5841
FACSIMILE (502) 564-2912**

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE CLAY COUNTY SHERIFF

**For The Year Ended
December 31, 2009**

The Auditor of Public Accounts has completed the Clay County Sheriff's audit for the year ended December 31, 2009. Based upon the audit work performed, the financial statement presents fairly, in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees decreased by \$16,966 from the prior year, resulting in excess fees of \$10,936 as of December 31, 2009. Revenues increased by \$3,209 from the prior year and expenditures increased by \$20,175.

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities.

CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT	1
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS	3
NOTES TO FINANCIAL STATEMENT	6
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....	13



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Joe L. Asher, Clay County Judge/Executive
The Honorable Kevin Johnson, Clay County Sheriff
Members of the Clay County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the Sheriff of Clay County, Kentucky, for the year ended December 31, 2009. This financial statement is the responsibility of the Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the Sheriff for the year ended December 31, 2009, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated March 8, 2011 on our consideration of the Clay County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Joe L. Asher, Clay County Judge/Executive
The Honorable Kevin Johnson, Clay County Sheriff
Members of the Clay County Fiscal Court

This report is intended solely for the information and use of the Sheriff and Fiscal Court of Clay County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these interested parties.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

March 8, 2011

CLAY COUNTY
KEVIN JOHNSON, SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2009

Revenues

Federal Grants		\$	6,000
State Grants			1,500
State - Kentucky Law Enforcement Foundation Program Fund (KLEFPF)			13,828
State Fees For Services:			
Marijuana Eradication	\$	4,075	
Finance and Administration Cabinet		106,805	
Cabinet For Human Resources		910	111,790
Circuit Court Clerk:			
Fines and Fees Collected			5,884
Fiscal Court			136,911
County Clerk - Delinquent Taxes			3,431
Commission On Taxes Collected			152,300
Fees Collected For Services:			
Auto Inspections		6,296	
Accident and Police Reports		392	
Serving Papers		40,590	
Carrying Concealed Deadly Weapon Permits		2,792	50,070
Other:			
Miscellaneous		777	
Transporting		7,965	
Add-On Fees		37,120	
Advertising Fees		5,085	
Telecommunications Tax Distribution		3,702	54,649
Interest Earned			476
Borrowed Money:			
State Advancement			70,000
Total Revenues			606,839

The accompanying notes are an integral part of this financial statement.

CLAY COUNTY
 KEVIN JOHNSON, SHERIFF
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2009
 (Continued)

Expenditures

Operating Expenditures and Capital Outlay:

Personnel Services-

Deputies' Salaries \$ 282,642

Other Salaries 12,636

Employee Benefits-

Employer's Share Social Security 27,285

Employer's Share Retirement 2,282

Unemployment Insurance 9,438 \$ 334,283

Contracted Services-

Advertising 450

Computer and Copier Support 2,400

Equipment Maintenance 1,026 3,876

Materials and Supplies-

Office Materials and Supplies 8,175

Uniforms 2,581 10,756

Auto Expense-

Gasoline 29,888

Maintenance and Repairs 9,556 39,444

Other Charges-

Conventions and Travel 121

Dues 1,238

Postage 4,859

Cell Phone 6,432

Radio Equipment 17,493

Miscellaneous 4,354 34,497

Capital Outlay-

Office Equipment 695

Vehicles 22,388 23,083

Debt Service:

State Advancement 70,000

Leases 584 70,584

Total Expenditures \$ 516,523

The accompanying notes are an integral part of this financial statement.

CLAY COUNTY
KEVIN JOHNSON, SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
For The Year Ended December 31, 2009
(Continued)

Net Revenues	\$ 90,316
Less: Statutory Maximum	<u>76,734</u>
Excess Fees	13,582
Less: Training Incentive Benefit	<u>2,646</u>
Excess Fees Due County for 2009	10,936
Payments to Fiscal Court - January 28, 2010	<u>9,372</u>
Balance Due Fiscal Court	<u><u>\$ 1,564</u></u>

The accompanying notes are an integral part of this financial statement.

CLAY COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2009

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the Sheriff as determined by the audit. KRS 134.310 requires the Sheriff to settle excess fees with the fiscal court at the time he files his final settlement with the fiscal court.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2009 services
- Reimbursements for 2009 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2009

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

CLAY COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2009
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who began participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.50 percent for the first six months and 16.16 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Clay County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1) (d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Clay County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2009, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

CLAY COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2009
(Continued)

Note 4. Lease

The Office of the Sheriff was committed to a lease agreement with Pitney Bowes for a postage machine. The agreement requires a quarterly payment of \$438 to be completed in March 2012. During calendar year 2009, the Sheriff paid a total of \$584 for the lease agreement. However; due to lack of funding, the Sheriff canceled the lease agreement with Pitney Bowes on April 30, 2009. The total remaining balance of the agreement was \$0 as of December 31, 2009.

Note 5. Grant

Clay County Fiscal Court entered into a grant agreement with the United States Department of Agriculture Rural Housing Service for \$54,109 during calendar year 2007. The proceeds were used to purchase new vehicles for the Sheriff's Department. Clay County Fiscal Court agreed to provide the required 25% match of grant funds totaling \$13,527, along with an additional contribution of \$18,171 (total Fiscal Court contribution \$31,698). Funds available to the Sheriff for vehicles and other expenses totaled \$85,807. As of January 1, 2009, the balance available was \$3,035. During 2009 the Sheriff received reimbursements for bank charges of \$4 and expended \$2,382, which left a balance of \$657. This amount is not included as excess fees.

Note 6. Donation From Non-Governmental Entity

The Clay County Sheriff's office received a \$1,000 donation from Wal-Mart. The donation was not earmarked for a specific purpose. The balance as of January 1, 2009 was \$359. The Sheriff spent \$359 leaving a balance of \$0 as of December 31, 2009.

Note 7. Highway safety Program

The Clay County Sheriff's office was approved to receive a Highway Safety Grant in the amount of \$1,500 during calendar year 2009. The contract period was from May 18, 2009 to May 31, 2009. The purpose of the grant is for overtime enforcement of all traffic laws with a primary focus on occupant protection during Click It or Ticket. The Sheriff received \$1,500 in reimbursement for salaries.

Note 8. United States Marshals Service

The Clay County Sheriff's Department entered into a Memorandum of Understanding (MOU) with the United States Marshal Service for the period beginning June 1, 2009 to September 30, 2009. This MOU will give a Clay County Sheriff's deputy special deputation authority to seek and execute arrest and search warrants supporting a federal task force. The Sheriff received \$6,000 in salary reimbursements during calendar year 2009.

Note 9. State Forfeiture Account

The Sheriff maintains an account funded by proceeds from the confiscation, surrender, or sale of real and personal property involved in drug related convictions. The purpose of this account is to purchase equipment for operating the Sheriff's office. The balance on January 1, 2009 was \$625. During 2009 receipts were \$ 8,988 and expenditures were \$8,481. The balance as of December 31, 2009 was \$1,132. This amount is not included as excess fees.

CLAY COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2009
(Continued)

Note 10. Federal Forfeiture Account

The Clay County Sheriff maintains an account funded by proceeds obtained from the confiscation, surrender, or sale of real and personal property involved in drug related convictions. The purpose of this fund is to purchase necessary equipment for operating the Sheriff's office. The balance on January 1, 2009 was \$0. During 2009 receipts were \$8,257 and expenditures were \$6,529. The balance as of December 31, 2009 was \$1,728. This amount is not included as excess fees.

THIS PAGE LEFT BLANK INTENTIONALLY

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Joe L. Asher, Clay County Judge/Executive
The Honorable Kevin Johnson, Clay County Sheriff
Members of the Clay County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Clay County Sheriff for the year ended December 31, 2009, and have issued our report thereon dated March 8, 2011. The County Sheriff's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Clay County Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sheriff's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Maters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Clay County Sheriff's financial statement for the year ended December 31, 2009, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the Clay County Fiscal Court, others within the entity, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a stylized flourish at the end.

Crit Luallen
Auditor of Public Accounts

March 8, 2011

